

CareFirst's Product Portfolio

CareFirst Individual Products, con't.

Product	Product Description
Indemnity, PPO & HMO Group Conversion	<ul style="list-style-type: none"> The Group Conversion products provide comprehensive major medical coverage with preventative care to select individuals under 65 leaving group coverage. After meeting a deductible, the CareFirst MD Indemnity plan covers major medical treatment with preventative care on a 75/25% coinsurance plan. The PPO conversion plan is offered in Maryland, D.C. and Virginia. Members are subject to varying deductibles and receive a greater benefit if seeking care from an in-network PPO provider. The HMO group conversion plans provide coverage with varying co-payments for members seeking care from in-network HMO providers.
Health Maintenance Organization	<ul style="list-style-type: none"> CareFirst BlueChoice, available in MD and D.C., offers a regional network with three co-payment options. Members must select a gatekeeper, and seek care from an in-network provider. Delmarva Health Plan offers HMO coverage in Delaware only, and will be existing the individual market in 2002. For all plans, Dental benefits are available through an add-on rider with Free State. Applicants who meet HIPAA eligibility criteria can purchase HMO products without medical underwriting.
Catastrophic Health Expense Plan	<ul style="list-style-type: none"> The Catastrophic Health Expense Plan offers supplemental coverage that provides \$1M in extra benefits to any base medical insurance plan for less than \$40/year for individuals.
Final Expense Whole Life Insurance Coverage	<ul style="list-style-type: none"> Whole Life insurance coverage is offered through CareFirst Insurance Agency to individual direct subscribers enrolled through CareFirst Maryland.
Long Term Care Coverage	<ul style="list-style-type: none"> Available to all CareFirst clients to meet long-term care needs. Underwritten by GE Financial.
Indemnity Individual Medicare Supplemental	<ul style="list-style-type: none"> Offered to individuals, primarily over the age of 65, to supplement Medicare benefits. All plans are guaranteed issue and are age-rated.

Source: CareFirst internal product marketing materials, 2001

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CareFirst's Product Portfolio

CareFirst Ancillary Products

Product	Product Description
Pharmacy	<ul style="list-style-type: none"> • Prescription drug benefits are offered through a managed care pharmacy card program. For all non-federal employee business, CareFirst uses Advance Paradigm as their Pharmacy Benefit Manager.
Dental	<ul style="list-style-type: none"> • CareFirst offers many dental plans including: traditional dental plan, preferred dental plan, HMO dental plans, and voluntary dental plan. CareFirst's dental plans have differing benefits and payment types to suit differing needs.
Vision	<ul style="list-style-type: none"> • CareFirst offers both indemnity and HMO based vision plans at varying benefit levels.
Flexible Benefits	<ul style="list-style-type: none"> • Sold through CareFirst Insurance Agency, flexible benefit plans have up to three components: premium conversion, flexible spending accounts, and a menu of health and non-health options. An outside vendor performs all flexible spending account administrative functions, including claims payment.
Basic and Voluntary Life and Disability	<ul style="list-style-type: none"> • CareFirst Insurance Agency offers group term life, accidental death and dismemberment, short term disability and long term disability insurance are offered to all accounts, regardless of size, enrolled with CareFirst.
BlueCard	<ul style="list-style-type: none"> • The BlueCard Program allows BCBS traditional and PPO members to receive the same benefits as their home plan while traveling or living outside of their home plan area.

Source: CareFirst internal product marketing materials, 2001

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CareFirst has thirty-eight locations in four states

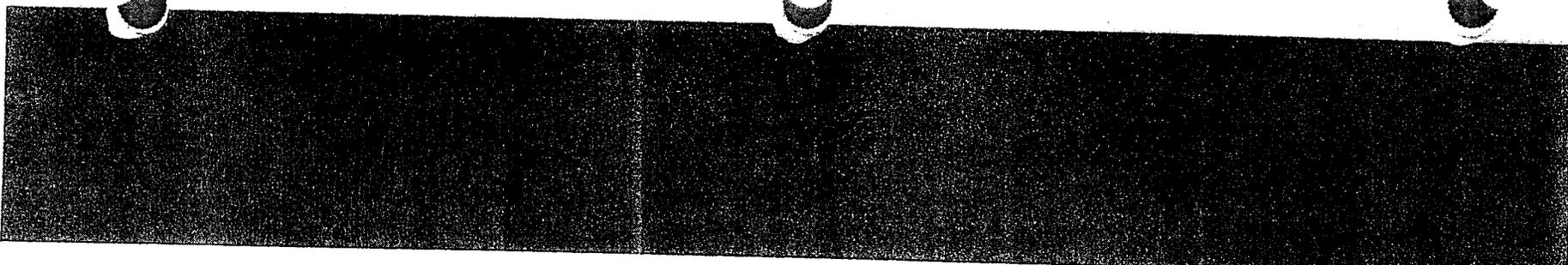
CareFirst Corporate Locations

Description	City, State
Headquarters	• Owings Mills, MD
District Sales Offices	• Annapolis, MD; Cumberland, MD; Hagerstown, MD; Salisbury, MD
Medical Offices- MedStar	• Baltimore, MD
Medical Offices- Patuxent Medical Group	• Annapolis, MD; Columbia, MD (2- Two Knoll North Drive, I & II); Frederick, MD; Laurel, MD
Medical Offices- Potomac Physicians	• Baltimore, MD (2 -Inner Harbor & Security Boulevard); Bel Air, MD; Glen Burnie, MD; Severna Park, MD; Timonium, MD; White Marsh, MD
CareFirst Administrative Offices	• Baltimore, MD; Easton, MD; Columbia, MD (2- Rivers Park I & II; Cumberland, MD; Linthicum, MD; Timonium, MD • Washington, D.C. (2- Federal Employee Operations, 12 th Street; D.C. Headquarters @ Portals Building) • Dover, DE; Newark, DE; Newport, DE; Wilmington, DE (4- Center Road, D.E. Headquarters @ West 14 th Street, two locations on Foulk Road)
CareFirst Administrators	• Baltimore, MD; Charlotte, NC
National Capital Administrative Services	• Fairfax, VA; Owings Mills, MD (2- Owings Mills Boulevard Buildings. 3 & 4)

Source: CareFirst

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A-I Company Background

A-II Financial Information

A-III Health Care Industry Context

A-IV Impacts on Availability, Accessibility & Affordability

A-V Data Sources, Assumptions and Methodologies

CareFirst Income Statement

(in Millions)

	Unaudited*	Audited		
	Sept, 2001	Year-End 2000	Year-End 1999	Year-End 1998
Premium & Premium Equivalents	\$4,429,667	\$4,984,656	\$4,442,454	\$3,967,849
Premium Only	\$2,882,465	\$1,758,641	\$1,729,681	\$3,415,097
Administrative Expenses	\$396,442	\$464,125	\$460,207	\$392,219
Affiliation/Year 2000 Costs	-	\$12,100	\$12,058	\$28,815
Operating Income	\$36,179	\$34,480	\$32,623	\$15,734
Investment & Other Income	\$53,115	\$71,608	\$58,785	\$68,522
Pre-Tax Income from Operations	\$89,294	\$106,088	\$91,408	\$84,256
Provision for Income Taxes	(\$17,997)	\$19,977	\$12,081	\$8,523
Net Income from Continuing Operations	\$71,297	\$86,111	\$79,327	\$75,733
Net Income from Discontinued Operations	\$1,358	(\$22,307)	(\$9,508)	-
Net Income (Loss)	\$72,655	\$63,804	\$69,819	\$75,733

*Statements are audited annually after December, 31st. Audit of 2001 statement is expected to be complete by February, 2002.

Discontinued operations reflect results from discontinued segments (State of Maryland Medicaid Program, Federal Medicare Plus Choice Program, Delaware International Operations) presented in accordance with Generally Accepted Accounting Principles. Segments discontinued in 2000 were restated in accordance with GAAP for 2000 and 1999. Prior year results were not required to be restated by GAAP.

Source: CareFirst